

# FACTS

## Background

The electronic funds transfer (EFT) provision of the Debt Collection Improvement Act of 1996 (DCIA) mandates that by 1999 all Federal payments, with the exception of tax refunds, be made by EFT, in lieu of paper checks.

The objective of the EFT legislation is to take advantage of the reduced cost, improved convenience, and security of using electronic technology.

The term "EFT" is defined as any transfer of funds other than paper instruments. EFT includes Direct Deposit, Fedwire, automated teller machine (ATM), point-of-sale, and credit card transactions. The Direct Deposit Program is the most widely used EFT program in the Government with over 20,000 participating financial institutions.

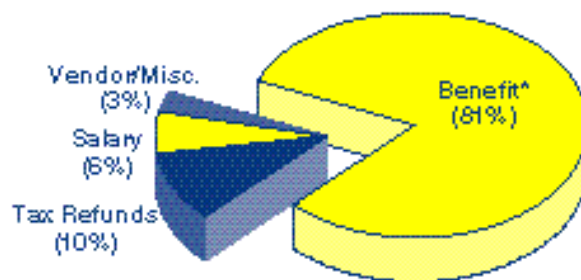
## EFT Payment Environment

The Federal Government issues approximately 1 billion payments annually.

The Department of the Treasury issues about 85% of all payments, of which 81% are benefit payments. The Department of Defense issues the bulk of the remaining payments.

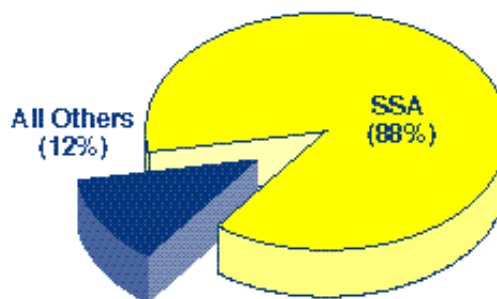
Payments certified by the Social Security Administration (SSA) represent 88% of all Treasury-disbursed benefit payments.

## FY 1996 Treasury-Disbursed Payment Volumes



\* This includes benefit payments issued by the Social Security Administration (including Supplemental Security Income), the Office of Personnel Management, the Railroad Retirement Board, and Veterans Affairs.

## FY 1996 Governmentwide Benefit Payments

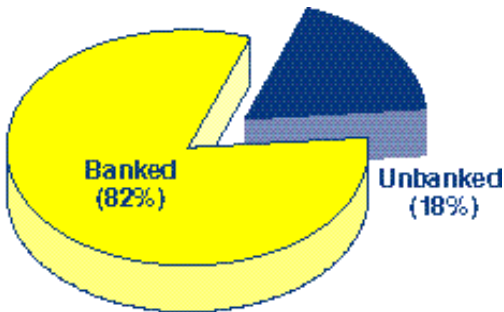


**Twelve % of the total SSA benefit payments are Supplemental Security Income payments.**

The vast majority of recipients of Federal payments have bank accounts. SSA estimates that approximately 91% of all Social Security recipients currently have a relationship with a financial institution and could receive payments by Direct Deposit without hardship.

There are approximately 10 million Federal benefit recipients nationwide that have not specified any kind of banking relationship. Supplemental Security Income (SSI) recipients represent about 32% of the unbanked population.

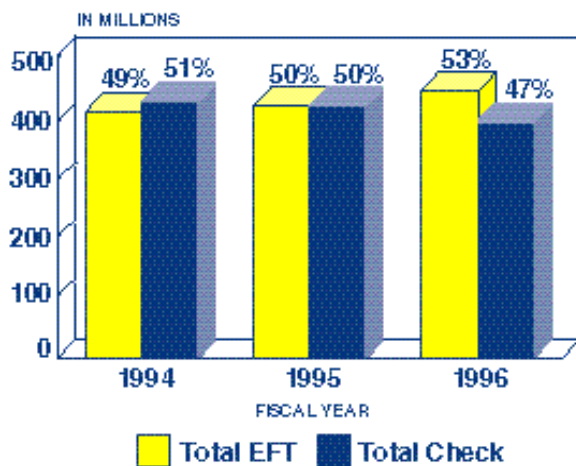
### Direct Federal Benefit Payment Recipients



In FY 1995, before the DCIA was passed, Treasury disbursed 847 million payments, of which 426 million (50%) were EFT payments and 421 million (50%) were check payments.

In FY 1996, 53% of Treasury-disbursed payments were EFT payments and 47% were check payments.

### Treasury-Disbursed Payment Volumes, FY 1994–96



## Benefits to Recipients of Using EFT

EFT offers a delivery mechanism that is safe, convenient, and reliable.

The Direct Deposit Program has a proven track record. It has been used by literally millions of Social Security recipients for more than 20 years.

Recipients are 20 times less likely to have a problem with EFT than with checks.

Problems regarding EFT payments can usually be resolved within 24 hours, compared with about 14 days for checks.

EFT payments are virtually crime-free when compared with the \$60 million in forged checks, \$1.8 million in counterfeit checks, and \$3.3 million in altered checks experienced by the Federal Government annually. Conversion of checks to EFT will prevent over 100,000 financial crimes each year, which results in savings to the financial service industry and consumers.

## Benefits to the Government of Using EFT

EFT payments are less costly than check payments.

At a minimum, the Government will save 28 cents per check on postage, printing supplies, and paper; and avoid check costs of \$28 million for every 100 million payments converted to EFT. Full implementation of the EFT provision will achieve Governmentwide savings of about \$100 million per year.